

## Message Text

UNCLASSIFIED

PAGE 01 BUENOS 04246 142343 Z

70

ACTION EB-11

INFO OCT-01 ARA-11 ADP-00 AID-20 NSC-10 RSC-01 CIEP-02

TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00 COME-00

FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01

DODE-00 PA-03 USIA-12 PRS-01 L-03 IGA-02 RSR-01 /142 W  
----- 093643

P 142030 Z JUN 73

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC PRIORITY 2469

UNCLAS BUENOS AIRES 4246

E. O. 11652: N/A

TAGS: ECON, AR.

SUBJECT: NEW GOA RULES ON FOREIGN INVESTMENT.

REF: BA A-532, OCT. 1972.

1. FOLLOWING MEETINGS OF GOA ECONOMIC TEAM ON JUNE 11, OFFICIAL SPOKESMAN INDICATED NEW DRAFT LAWS ON FOREIGN INVESTMENT, FOREIGN COMMERCE AND NATIONALIZATION OF DEPOSITS ( BANK CREDIT) WOULD BE FORWARDED PROMPTLY TO CONGRESS. OFFICIAL SPOKESMAN DID NOT GIVE ANY DETAILS. ON JUNE 12, PERONIST PARTY ORGAN MAYORIA CARRIED SHORT AND MUCH GARBLED SUMMARY LEAKED FROM MINISTRY OF FINANCE SOURCES. APPARENTLY UPI SECURED COPY OF SAME SUMMARY AND DISTRIBUTED SAME TO FOREIGN SUBSCRIBERS WHICH, WE UNDERSTAND, HAS BEEN PLAYED UP IN FOREIGN PRESS. OTHER NEWS ORGANS IN ARGENTINA HAVE SOUGHT, AS WE DID, FOR BETTER BASIS FOR REPORTING ON GOA PROPOSALS. MAJOR DAILIES JUNE 13 AND 14 ARE CARRYING WHAT APPEAR TO BE REDONE SUMMARIES FROM MAYORIA ARTICLE. HIGHLIGHTS FROM THAT ARTICLE ARE AS FOLLOWS.

2. THREE CLASSIFICATIONS OF FIRMS ARE SET UP, ACCORDING TO CATITAL SHARES HELD BY LOCAL AND FOREIGN INVESTORS. " FOREIGN FIRMS" ARE THOSE WITH 100 TO 49 PERCENT FOREIGN OWNERSHIP. MIXED FIRMS ARE THOSE BETWEEN 49 AND 20 PERCENT FOREIGN  
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BUENOS 04246 142343 Z

PARTICIPATION. NATIONAL COMPANIES MUST HAVE LESS THAN 20 PER CENT FOREIGN CONTROL. PREVIOUS STANDARDS WERE BASED ON MAJORITY OF OWNERSHIP.

3. NEW FOREIGN INVESTMENTS WILL BE SUBJECT TO GOA AUTHORIZATION IN EACH CASE. FOREIGN INVESTMENT WILL NOT REPEAT NOT BE AUTHORIZED FOR: ( A ) ACQUISITION OF ASSETS OF A NATIONALLY-OWNED COMPANY, ( B ) TRANSACTION INVOLVING LIMITATIONS OR CONDITIONS IMPOSED BY THE FOREIGN INVESTOR ON SUBSEQUENT EXPORTATION FROM ARGENTINA , ( C ) SECTORS OR ACTIVITIES RELATED TO NATIONAL DEFENSE OR SECURITY OR PUBLIC WORKS AND SERVICES. VERSION WE HAVE INDICATES THESE WILL INCLUDE: WATER AND SEWAGE, POWER, TRANSPORT, COMMUNICATIONS, INSURANCE, BANKING AND OTHER FINANCIAL, PUBLICITY, RADIO, TV, NEWSPAPERS AND MAGAZINES, DOMESTIC DISTRIBUTION AND SALE OF PRODUCTS NOT OF OWN MANUFACTURE, EXPLOTATION OF HYDROCARBONS, FARMING AND RANCHING, FORESTRY AND MINING.

4. THE DAILY LA OPINION INCLUDED A STATEMENT INDICATING THAT THE LAW WILL AUTHORIZE THE GOA TO REQUIRE FOREIGN INVESTORS TO DIVEST THEMSELVES OF THEIR INTERESTS IN CERTAIN INDUSTRIES. NOTHING MORE CONCRETE IS KNOWN, BUT THIS IS CONSISTENT WITH INDICATIONS IN REPAIR AND ELECTION CAMPAIGN THAT PERONISTS WOULD SEEK TO NATIONALIZE CERTAIN SO- CALLED BASIC INDUSTRIES IN PRIVATE, FOREIGN BANKS AND QUOTE REARGENTINIZE UNQUOTE OTHER FIRMS ACQUIRED BY FOREIGN INVESTORS OVER PAST SEVERAL YEARS. MOST PROBABLY REFERS TO BANKING AND FOREIGN OIL COMPANIES.

5. ANNUAL REPATRIATION OF CAPITAL, CALCULATED AS A PERCENTAGE OF THE ORIGINALLY- AUTHORIZED CAPITAL INVESTMENT, WILL BE LIMITED IN EACH CASE TO A FIGURE NOT TO EXCEED BY MORE THAN THREE POINTS THE RATE OF INTEREST PAID BY MAJOR BANKS FOR 180 - DAY DEPOSITS IN THE COUNTRY OF DESTINATION. ANY RETURNS REALIZED ABOVE THAT LIMIT WILL BE QUOTE NATIONALIZED UNQUOTE AUTOMATICALLY, AND THEIR TRANSFER ABROAD WILL BE PROHIBITED. REINVESTMENT IN THE SAME FIRM BY THE FOREIGN INVESTOR WILL BE LIMITED TO FIVE PERCENT OF THE ORIGINAL CAPITAL INVESTMENT, AND WILL BE REGARDED AS NEW INVESTMENT CREATING ADDITIONAL AUTHORITY TO REPATRIATE CAPITAL.

6. ALL FOREIGN INVESTMENTS REALIZED PRIOR TO ENACTMENT OF THE NEW DRAFT LAW MUST BE REGISTERED WITH THE GOA, AND WILL REMAIN UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BUENOS 04246 142343 Z

SUBJECT TO THE REGIME UNDER WHICH THE INVESTMENT WAS ORIGINALLY MADE.

7. " FOREIGN FIRMS" WILL BE ALLOWED TO SECURE ONLY SHORT TERM ( TO 180 DAYS) CREDITS FROM LOCAL BANKS AND CREDIT SOURCES AND AMOUNTS LIMITED TO CAPITAL AND RETAINED PROFITS. OTHER LIMITATIONS PLACED ON FOREIGN BORROWING BY " FOREIGN FIRMS" BUT

SIGNIFICANCE NOT CLEAR.

8. COMMENT: SITUATION REMAINS CONFUSED. ANNOUNCED DRAFT LAW ON FOREIGN INVESTMENT HAS STILL NOT BEEN RECEIVED IN CONGRESS SO FAR AS WE CAN DETERMINE. THIS IS ALSO SITUATION WITH WHAT WE EXPECT WILL BE DRAFT LAWS NATIONALIZING DEPOSITS CREDITS AND OUTLINING POLICIES AFFECTING INTERNATIONAL COMMERCE. MORNING DAILIES OF JUNE 14 ALLEGE THAT GOA WILL DROP INTO CONGRESSIONAL HOPPER MORE THAN 20 BILLS ON ECONOMIC SUBJECTS TODAY BEFORE DEPARTURE OF PRESIDENT CAMPORA ANND HIS CORTEGE TO SPAIN. STATUS OF THESE MEASURES AND HOW THEY WILL BE HANDLED IN CONGRESS STILL UNCLEAR. WE ASSUME THEY WILL GET URGENT AND VERY RAPID TREATMENT. FULL TEXT SHOULD BE AVAILABLE WITHIN DAY OR TWO OF FORMAL RECEIPT IN CONGRESS. BUSINESS COMMUNITY AND EMBASSY ARE AWAITING BETTER ACCESS TO MORE RELIABLE SOURCE OF TEXTS BEFORE FORMULATING VIEWS ON MEASURES WHICH WILL OUTLINE CHARACTER OF GOA ECONOMIC PROGRAM. CENTRAL BANK' S MEASURES TAKEN JUNE 13 TO ELABORATE UPON AND COMPLEMENT " SOCIAL PACT" REPORTED BA 4060 AND 4172 ARE BEING REPORTED SEPTTEL.  
LODGE

UNCLASSIFIED

NNNNMAFVVZCZ

\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* UNCLASSIFIED

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** n/a  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 14 JUN 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1973BUENOS04246  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** n/a  
**Errors:** n/a  
**Film Number:** n/a  
**From:** BUENOS AIRES  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1973/newtext/t19730619/aaaajatr.tel  
**Line Count:** 141  
**Locator:** TEXT ON-LINE  
**Office:** ACTION EB  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
**Previous Channel Indicators:**  
**Previous Classification:** n/a  
**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** kelleyw0  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 15 OCT 2001  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <15-Oct-2001 by phillir0>; APPROVED <19 FEB 2002 by kelleyw0>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** <DBA CORRECTED> jms 980206  
**Subject:** NEW GOA RULES ON FOREIGN INVESTMENT.  
**TAGS:** ECON, AR  
**To:** EB  
**SECSTATE WASHDC**  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005